



PRESS RELEASE

House Armed Services Committee

Floyd D. Spence, Chairman

FOR IMMEDIATE RELEASE

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SPENCE CALLS FOR INCREASED DEFENSE SPENDING TO ADDRESS CRITICAL UNFUNDED REQUIREMENTS

House Armed Services Committee Chairman Floyd Spence in a letter to House Budget Committee Chairman John Kasich called for increased defense spending to address critical unfunded quality of life, readiness and modernization shortfalls identified by the military service chiefs.

In the letter, Spence outlined the history of continuing shortfalls describing "[l]ast year at this time, the service chiefs estimated their fiscal year 2001 shortfall to be approximately \$10 billion. Despite fiscal year 2000 defense spending increases, the services' fiscal year 2001 shortfalls have grown to \$15.5 billion – an increase of more than \$5 billion over just the past year. In addition, the service chiefs are now estimating their shortfalls in the fiscal year 2001– 2005 period at \$84.2 billion – more than double their February 1999 estimate of \$37.9 billion for the same five-year period."

"In light of these worsening shortfalls," concluded Spence, "I recommend that the Concurrent Resolution on the Budget provide for increased defense spending over the next five years sufficient to address, at a minimum, the critical unfunded requirements that have been identified by the military service chiefs."

Spence also called for increased entitlement authority for the national defense budget function to address longstanding problems confronting service members, their families, and retirees with regards to their health care. "The widespread level of dissatisfaction with the military health care system on the part of both active and retired military personnel is undermining recruiting and retention and has become a significant factor affecting readiness." Spence explained that the only entitlement programs over which the Armed Services Committee has jurisdiction involve military retirement and some veteran's educational benefits, neither of which would provide viable offsets to the costs associated with military health care reform, and warned, "The committee's ability to address these serious problems will be significantly limited without such additional resources."

Under the Budget and Impoundment Control Act, there is an annual requirement for each committee of the House of Representatives to express its views on the budget in a letter to the House Budget Committee.

A copy of the letter is attached.

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COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515-6035

ONE HUNDRED SIXTH CONGRESS

FLOYD D. SPENCE, SOUTH CAROLINA, CHAIRMAN

February 25, 2000

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ANDREW K. ELLIS, STAFF DIRECTOR

Honorable John R. Kasich
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to the applicable provisions of the Budget and Impoundment Control Act and Rule X, clause 4(f) of the Rules of the House of Representatives for the 106th Congress, I am forwarding views regarding the national defense budget function (050) for fiscal year 2001.

Although the President's fiscal year 2001 defense budget request does represent a welcome increase over the current fiscal year 2000 defense spending levels, it nonetheless presents a number of significant challenges that the Congress must confront and address.

It is likely that the Congressional Budget Office (CBO) and the Office of Management and Budget (OMB) will once again have a disparity in their respective estimates of the outlay implications of the President's defense budget request. Two years ago, CBO concluded that OMB had underestimated defense outlays in the fiscal year 1999 budget by \$3.6 billion, while last year, CBO concluded that OMB had understated defense outlays in the fiscal year 2000 budget by \$9.2 billion. Although preliminary estimates of the outlay implications of the President's budget request for fiscal year 2001 from CBO are not yet available, the methodological differences between CBO and OMB that have led to disparate defense outlay estimates in the past are likely to have a similar effect this year. As you are aware, when the CBO outlay estimate exceeds the OMB estimate, it can only be addressed by providing additional outlays for defense, scoring direction to CBO, or large reductions in defense budget authority. Last year the House and Senate Budget Committees addressed this issue by directing CBO to use the lower OMB outlay estimates for defense spending. If it becomes necessary, I recommend a similar solution this year, and could not support any solution to an outlay scoring

problem that requires a reduction to the President's defense budget request. As in the past, I urge the Budget Committee to work with the Administration to develop a binding conflict resolution mechanism to resolve as many of the CBO-OMB outlay scoring disputes as possible in advance of the annual submission of the President's budget.

In addition to likely technical outlay scoring problems, the military service chiefs continue to identify critical unfunded quality of life, readiness and modernization requirements, or shortfalls. Last year at this time, the service chiefs estimated their fiscal year 2001 shortfall to be approximately \$10 billion. Despite fiscal year 2000 defense spending increases, the services' fiscal year 2001 shortfalls have grown to \$15.5 billion – an increase of more than \$5 billion over just the past year. In addition, the service chiefs are now estimating their shortfalls in the fiscal year 2001– 2005 period at \$84.2 billion – more than double their February 1999 estimate of \$37.9 billion for the same five-year period. In light of these worsening shortfalls, I recommend that the Concurrent Resolution on the Budget provide for increased defense spending over the next five years sufficient to address, at a minimum, the critical unfunded requirements that have been identified by the military service chiefs.

As you are aware, the Congress provided several improved quality of life benefits for military service members in fiscal year 2000 to help address military recruiting and retention problems. These benefits included a 4.8 percent payraise for fiscal year 2000, reform of the military pay tables, and reform of the REDUX retirement system. In addition to these benefits, the Congress also provided authority for military service members to participate in the Thrift Savings Program (TSP), provided that the President include a spending offset for this program in the fiscal year 2001 budget. Unfortunately, the President did not fund this program in his budget request and its future is now in doubt. Accordingly, in light of the President's budget request, I believe that sufficient new mandatory spending resources should be provided to permit implementation of last year's TSP initiative.

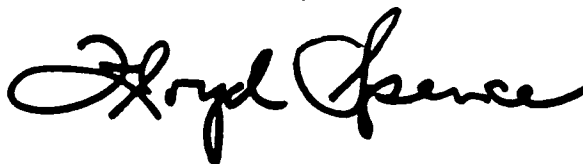
There is also a critical need to address longstanding problems confronting service members, their families, and retirees with regards to their health care. The widespread level of dissatisfaction with the military health care system on the part of both active and retired military personnel is undermining recruiting and retention and has become a significant factor affecting readiness. The Joint Chiefs of Staff have recommended the adoption of a broad range of military health care reforms, including a commitment to provide health care and prescription drugs for retirees in the military health care system. Unfortunately, the President's defense budget request for fiscal year 2001 proposes only a handful of modest military health care reforms and contains nothing to address the health care problem faced by military retirees.

Several legislative proposals to reform military retiree health care have already been introduced in the House and Senate. I anticipate that the Armed Services Committee will carefully evaluate these and other initiatives in the months ahead in an effort to develop a broad bipartisan approach to implementing necessary and cost-effective reforms to the military health care system. Under any circumstances, however, reforming the current system to make it more responsive to both active duty and retired military personnel will be a complex and costly endeavor.

In this regard, I believe that the Concurrent Resolution on the Budget will need to provide increased entitlement authority for the national defense budget function if the committee is to address military health care problems in any comprehensive fashion. The only entitlement programs over which the Armed Services Committee has jurisdiction involve military retirement and some veterans educational benefits, neither of which would provide viable offsets to the costs associated with military health care reform. Accordingly, and in addition to the recommendation to increase discretionary spending, I believe that additional entitlement authority must be provided for the national defense budget function sufficient to permit the committee and the House to consider a range of initiatives necessary to address the military health care problems confronting military service members, their families and retirees. The committee's ability to address these serious problems will be significantly limited without such additional resources.

I appreciate the opportunity to express my views as the Chairman of the Committee on Armed Services. I look forward to working with you and the members of the Budget Committee to construct a supportable five-year plan for the national defense budget function.

Sincerely,

A handwritten signature in black ink, reading "Floyd D. Spence". The signature is fluid and cursive, with the first name "Floyd" being more prominent and the last name "Spence" following in a similar style.

Floyd D. Spence
Chairman

cc: The Honorable John M. Spratt, Jr.
The Honorable Ike Skelton